Appcues

2022 BENCHMARK REPORT

7 Key Product Growth Metrics

Introduction

When competition heats up, the best product experience wins.

But how do you know exactly how your product stacks up, or whether it's actually optimized for your user's success?

Customers come to Appcues because they want to improve user engagement, increase adoption, and leverage their product for growth. To accomplish these goals, they continuously test and experiment with in-app experiences that move the needle and create a better user experience. We hear two common questions from organizations doing this work:

- What metrics should we focus on?
- Do you have customer benchmarks?

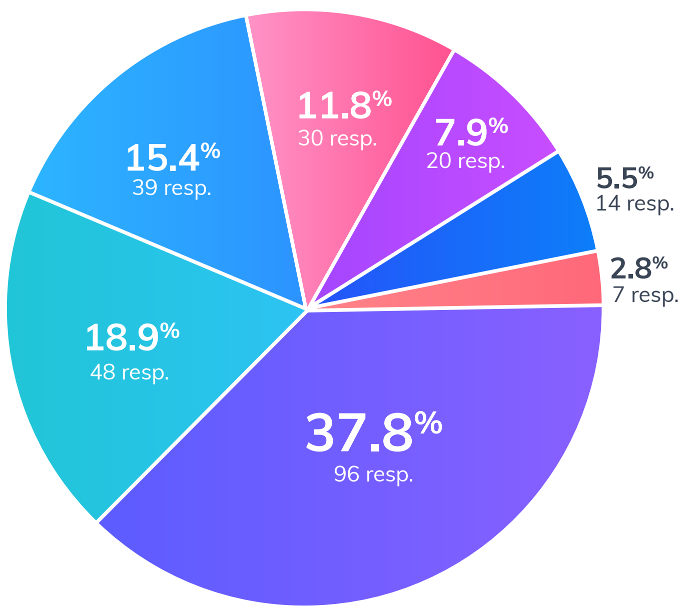
When it comes to measuring the effectiveness of your product experience, we recommend focusing on seven key metrics. Consistently tracking these seven metrics will give you a clear and actionable view into your product's performance. In this report, we cover all seven metrics in detail—and share recent survey data highlighting the average values seen by over 250 of our customers.

We hope this report not only provides insights into how you stack up against industry benchmarks, but also gives you actionable steps to improve your performance and drive sustainable growth.

Let's get started by taking a look at who we gathered this data from.

Who did we talk to?

Role — Product speaks up



- Product 37.8%
- Customer Success /Experience 18.9%
- Marketing/Growth 15.4%
- Product Design 11.8%
- Engineering 7.9%
- Product Marketing 5.5%
- Other 2.8%

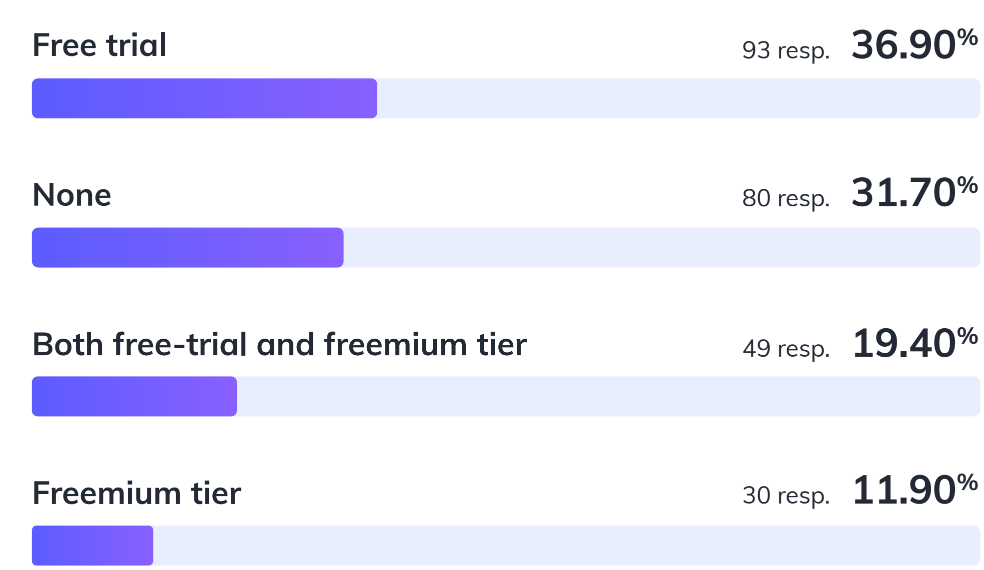
We weren't surprised that the largest group of respondents (38%) were in a product role, with Customer Success/Experience coming in second, just inching ahead of Marketing/Growth.

Company Size — Small businesses make a big statement

While respondents hailed from all different size organizations, the strongest showing was from small companies. **64% of responses came from businesses with 200 or fewer employees.**

Free Option — Each size organization has its preference

While the largest percentage (36.9%) of respondents offer a free trial, the second-largest percentage (31.7%) don't offer any kind of free option. Digging deeper into the data, we learned that both smaller and scaling companies (1 - 200 employees) are much more likely to offer free trials than larger organizations. Freemium, on the other hand, is more common in mid-market-companies (200 - 1,000 employees). Finally, enterprise companies (1,000+ employees) are the most likely **not** to have a free trial or free tier.

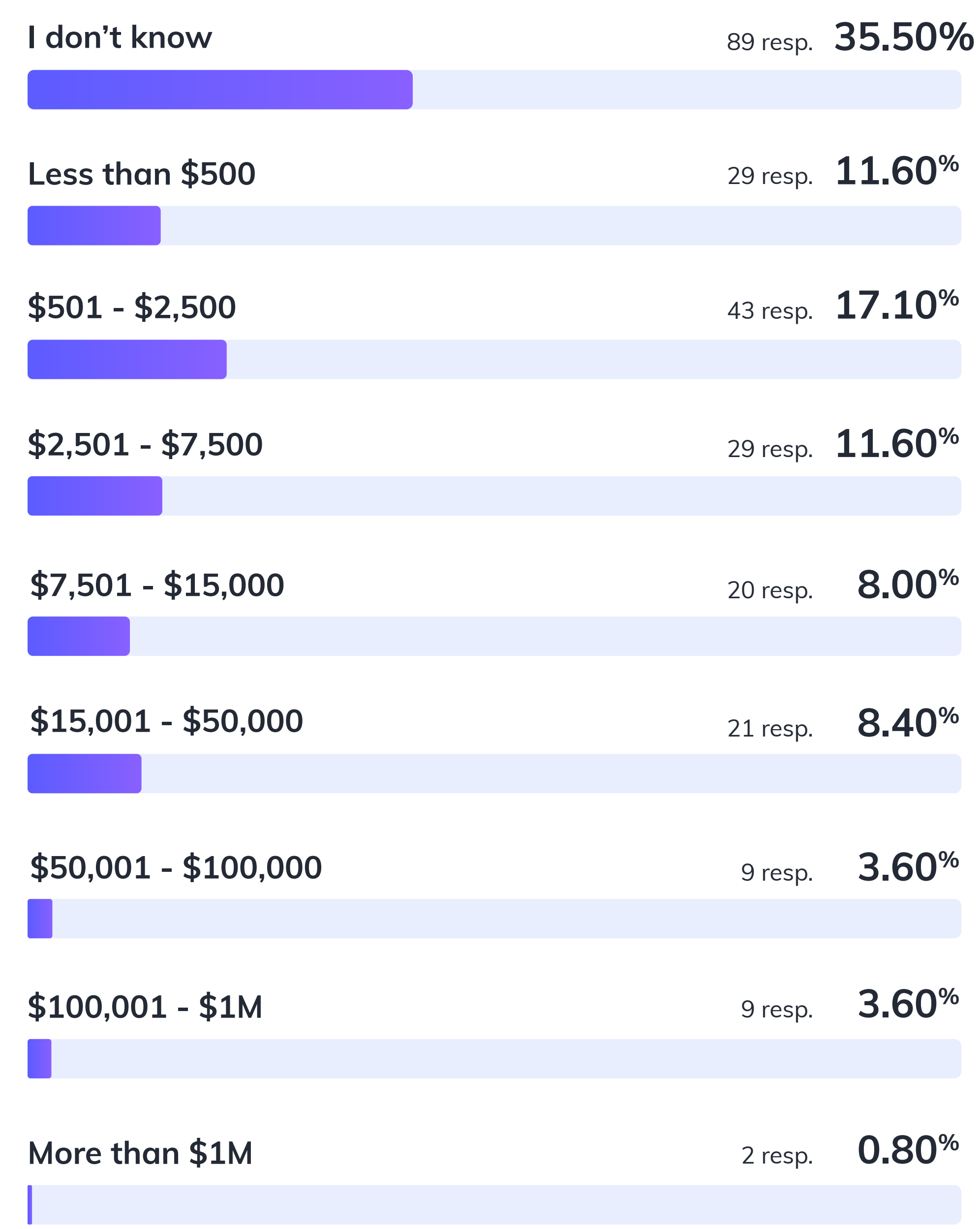


Who did we talk to?

Revenue — Companies represent a pretty balanced range

The majority of responses (about 45%) were distributed fairly evenly across the $0 - $30M range, with one anomaly. Only 6.7% identified as having annual revenue between $5M - $10M, while the other buckets in the $0 - $30M range were approximately 15%. This may reflect the fact that the $10M mark is a major milestone for any organization—tough to achieve, but generally a precursor to revenue momentum. The remainder of respondents reported revenue of $30M - $100M or above $100M – 8.7% and 6.7% respectively.

Annual Contract Value (ACV) — Responses lean toward the lower end of the scale



About 40% of respondents have an ACV below $7,500, with 28.7% having a small ticket item with an annual cost of $2,500 or less. At the higher end of the range, approximately 16% of respondents have an ACV between $15K and $50K. ACVs higher than that were rare for respondents.

7 metrics to evaluate your product experience

Our survey examined 7 key metrics:

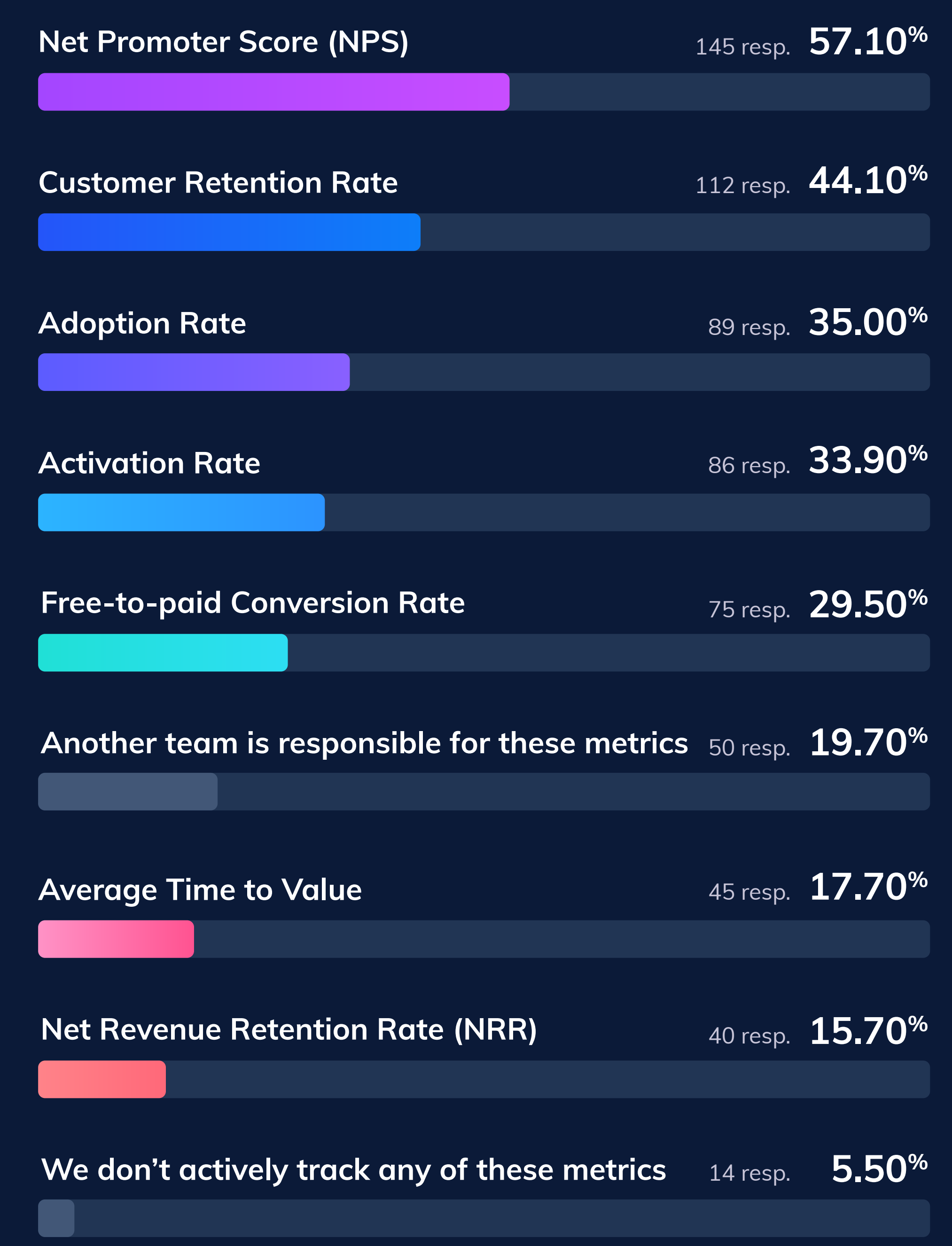
- Free-to-paid Conversion
- Activation Rate
- Average Time to Value
- Adoption Rate
- Net Promoter Score NPS
- Customer Retention Rate
- Net Revenue Retention Rate NRR

Only 5.5% of respondents indicated they do not actively track any of these key metrics. (Great job, y'all! 🥳) Another 19.7% reported that a team other than their own is responsible for these metrics.

Of the respondents directly responsible for tracking these metrics, 57.1% said they track NPS—making that the top-tracked metric by a large margin. (This isn't that surprising since NPS is the easiest to quantify.)

What was surprising was the relatively small number of respondents who track free-to-paid conversion, or average time to value—both of which are important indicators of successful customer experience and growth. However, because respondents were asked to only select metrics that they track themselves, there is a possibility that the overall business tracks additional metrics.

Metrics tracked



Free-to-paid Conversion

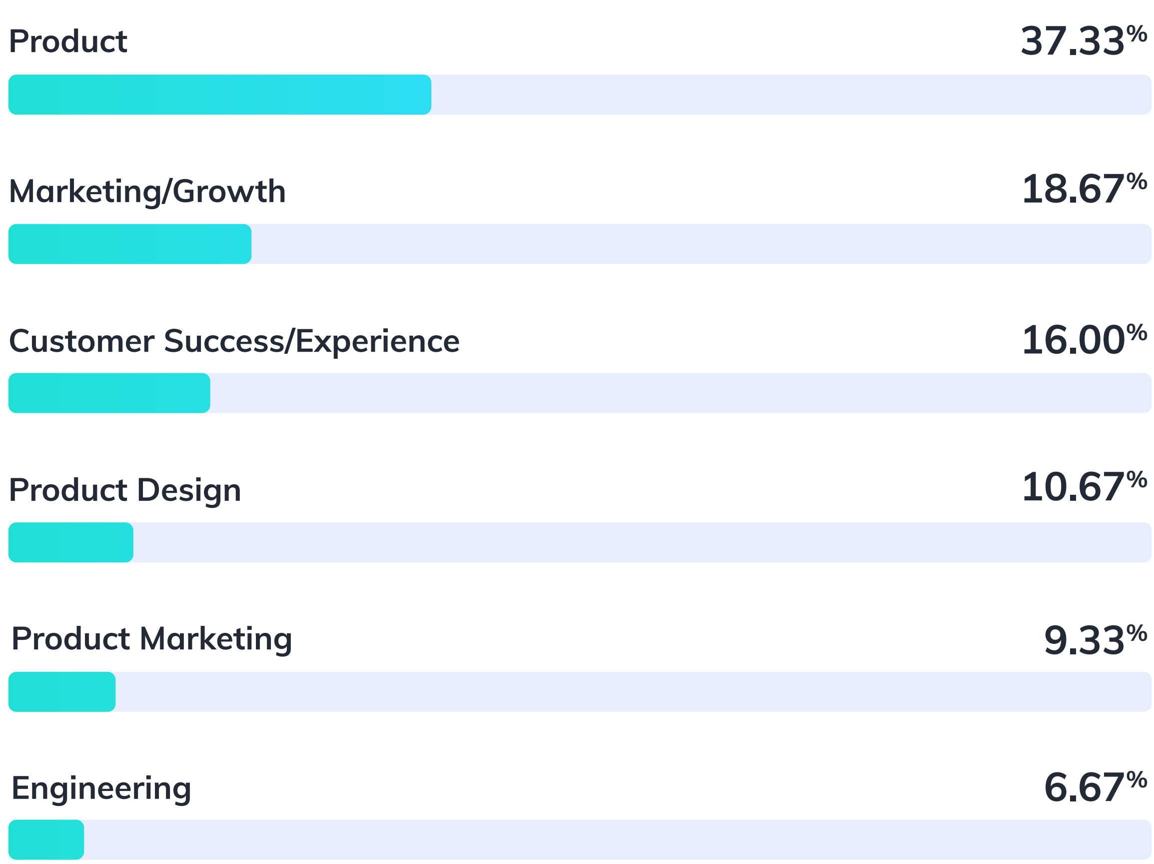
Definition

The percentage of users that convert to a paid account after signing up for a free account

How to calculate

[number of free users who converted during a period] / [total number of free users within that same period] x 100

Who is responsible for tracking this?



Benchmark: 14.65%

Insights & takeaways

- An unexpectedly low percentage of respondents (30%) track their free-to-paid conversion rate. That's got us raising our eyebrows because almost 70% of respondents offer some sort of a free plan!
- **Free trial converts better than free tier:** Paid conversion is higher when you offer a free trial (converts at 16.7%) than when you offer a free tier (converts at 11.37%).
- **Lower ACV correlates to higher free-to-paid conversion rate:** The highest conversion rate (15.4%) was for products with an ACV of less than $500. The lowest (below 11%) rates were for products with an ACV between $7,500 and $50,000. This correlation makes sense given that higher-priced products warrant a more stringent evaluation process that often involves multiple parties.

Activation Rate

Definition

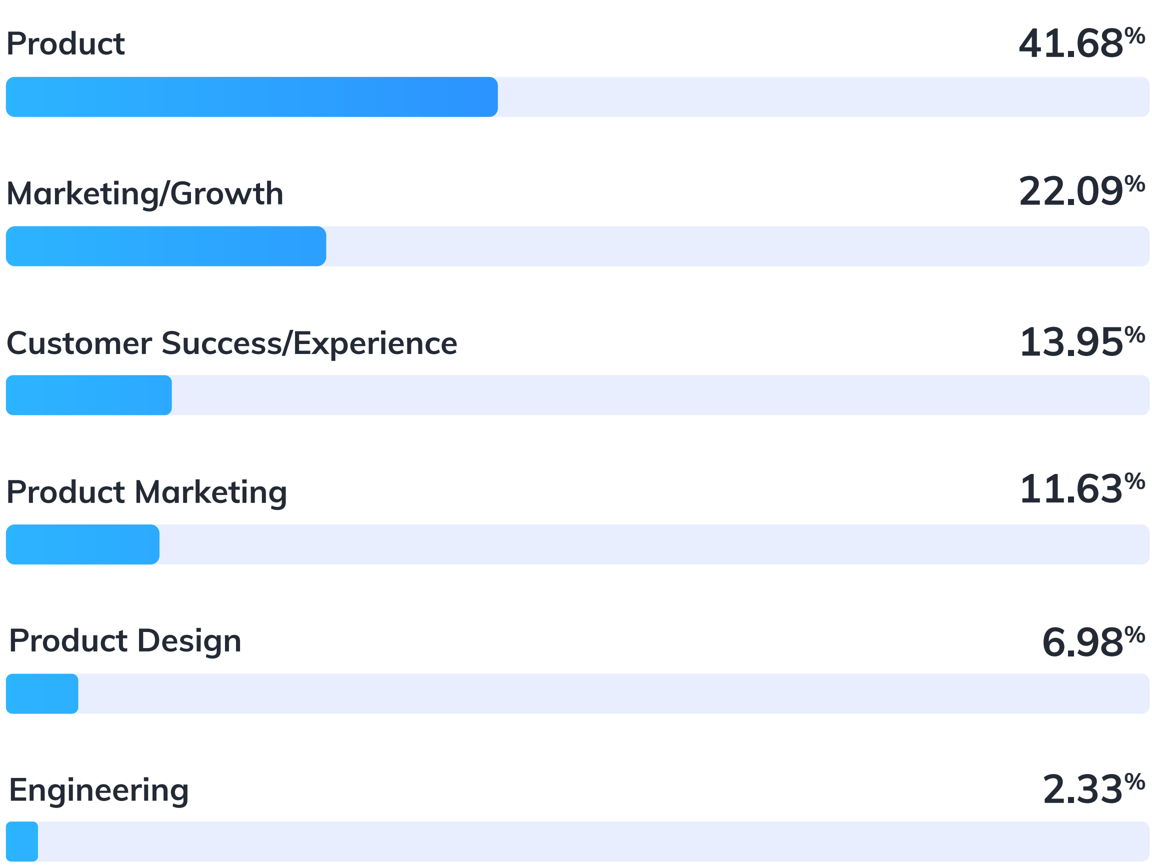
The percentage of users who performed a key product action (often called the "activation event" or "aha moment") that leads users to experience the product's value

Examples of key product actions include completing registration, installing software, applying a checklist, uploading a file, scheduling a certain number of posts, inviting collaborators, etc.

How to calculate

[number of users who performed a key product action] / [total number of users] x 100

Who is responsible for tracking this?



Benchmark: 30.22%

Insights & takeaways

- **Bigger companies have higher activation rates:** The activation rate by company size followed a smooth upward trend from about 19% for companies with up to 50 employees, to a little over 53% for companies with more than 1,000 employees.

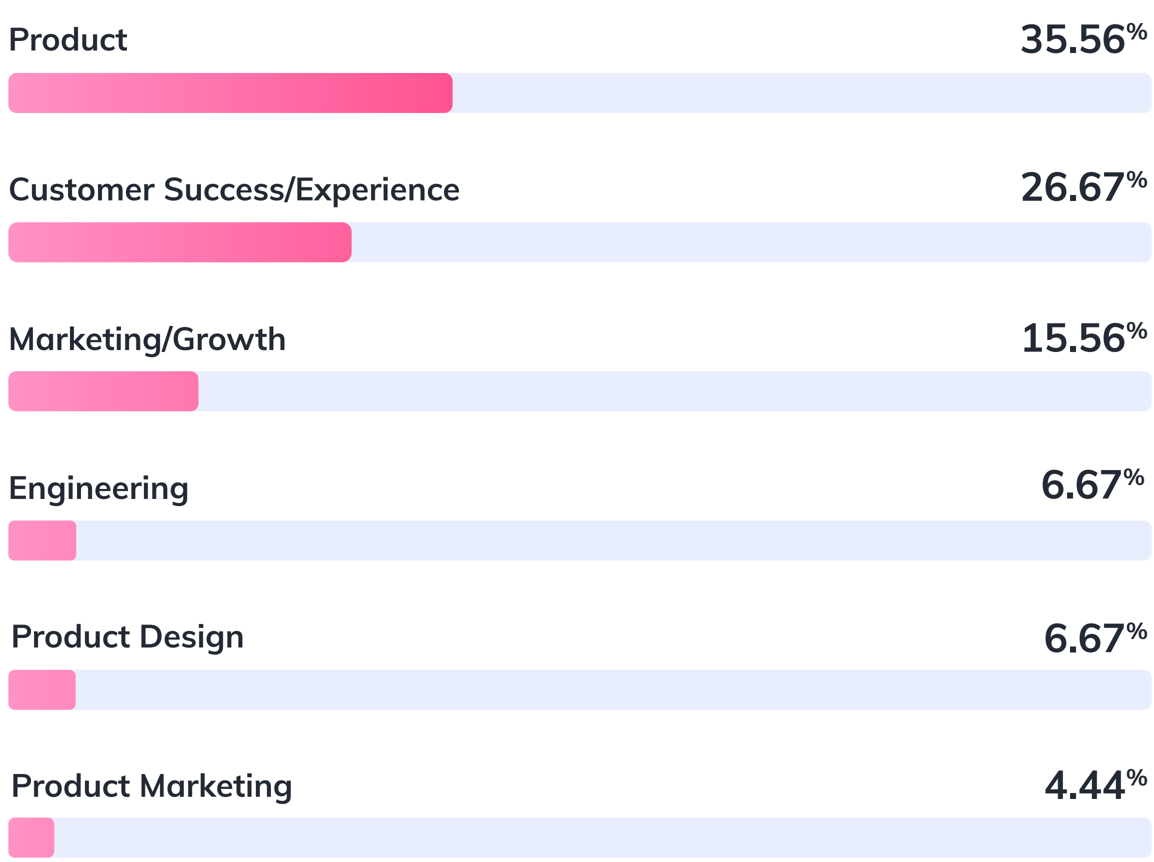
- **Lower ARR corresponds to lower activation rate:** Companies with an ARR of less than $1M had the lowest activation rate of 22.31%. The sweet spot was companies with an ARR of $5M - $10M (38.67%).

Average Time to Value

Definition
The time it takes for new users to reach their aha moment or activation event, and realize a product's value

How to calculate
Average time it takes new users to reach the activation event

Who is responsible for tracking this?



Benchmark: 56.2 days*

* This is the average of a very wide range between 5 minutes and 6 months.

Insights & takeaways

- **An unexpectedly low percentage of respondents track this:** Even though the majority of respondents run on a PLG (product-led growth) model—which relies on a short time to value to drive growth—only 17.7% of respondents actively track this metric.

- **Smallness corresponds to faster time to value:** Smaller organizations (based on number of employees or ARR) and those with smaller transaction values had faster time to value. This may be related to lower product complexity.

- **Freemium beats out free trial**: The average time to value for freemium tier products was only 2.28 days. The average time to value for a free trial was 33.42 days. (As a side note, it's interesting that the average time to value for a trial exceeds the typical trial duration of 14 to 30 days.)

Adoption Rate

Definition

The end result of a journey users undergo as they use a product and finally embrace it as their go-to tool for solving their problem. Depending on the product, adoption might be defined as remaining active over a given period of time or associated with a set number of times that someone uses a specific feature or logs into your product

How to calculate

[number of users who meet your definition of adopted] / [total number of eligible users] x 100

Who is responsible for tracking this?

Benchmark: 33.67%

Insights & takeaways

- **Bigger is better:** Overall, larger organizations have significantly higher adoption rates. While small businesses with 50 or fewer employees only achieved 31.31% adoption, companies with more than 1,000 employees hit a whopping 55% adoption rate. This may reflect a lack of resources at smaller organizations since they do not have dedicated teams to handle onboarding and other key activation tasks.

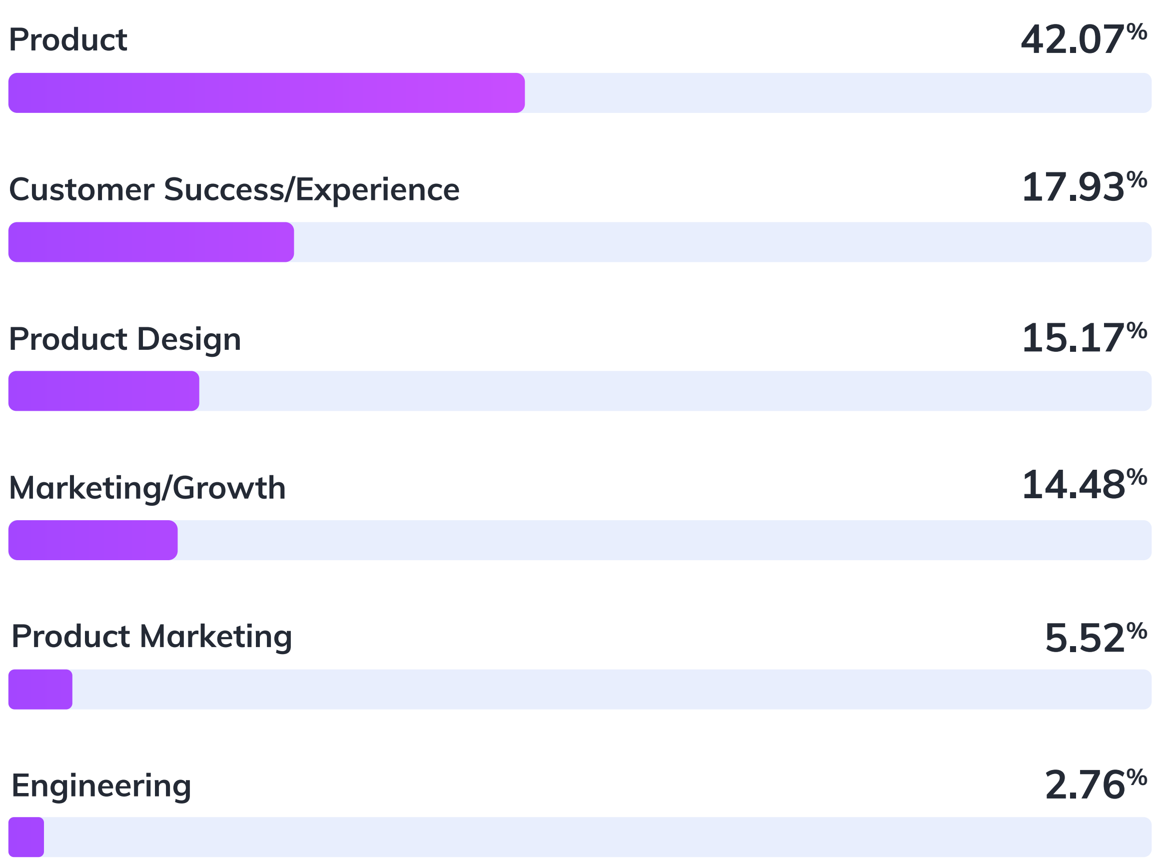
- **Lower investment = lower adoption:** Products with an ACV of less than $500 had the lowest adoption rate at 14.56%. Higher ACVs correlated to better adoption rates, with the best rate (53.67%) landing in the $2,501 - $7,500 ACV range. While there is some fluctuation of rates across the various ACV ranges, it may be that lower adoption for less expensive products is due in part to customers feeling less obligated to make the most of their comparatively small investment.

Net Promoter Score (NPS)

Definition
A satisfaction score that measures the willingness of customers to recommend a product to others

How to calculate
On a scale from 0 to 10, how likely are you to recommend us to a friend or colleague?

Who is responsible for tracking this?



Benchmark: 29.66

Insights & takeaways

- **The bigger the enterprise, the lower the NPS:** While small and mid-sized companies with up to 500 employees earned NPS scores between approximately 20 and 35, companies with more than 1,000 employees scored just over 18.
- **The lower the ARR, the better the NPS:** Companies in the lowest two ARR tiers (less than $1M and between $1M and $5M) earned the highest scores, at just over 41 and 36 respectively.
- **Free option combos drive higher NPS**: While companies that offered no free option or only one (trial or freemium) all saw NPS scores in the mid to high 20s, companies that offered both a free trial and a freemium tier achieved a score of nearly 43.

Customer Retention Rate

Definition

The percentage of existing customers who remain customers after a given period

How to calculate

[customers at the end of the period - new customers acquired during that period] / [customers at the start of the period] x 100

Who is responsible for tracking this?

Product	43.75%
Customer Success/Experience	20.54%
Marketing/Growth	15.18%
Product Design	7.14%
Product Marketing	5.36%
Engineering	5.36%

Benchmark: 79.20%

Insights & takeaways

- **Mixed signals on organization size:** While organizations with fewer employees generally have better retention, companies with higher ARR also have slightly higher retention.

- **Higher ACV tends to correlate to higher retention:** The highest customer retention rates were associated with ACVs over $100K. This customer loyalty may be due in part to a product's higher ticket price—driving internal support in the form of resources and ROI.

Net Revenue Retention Rate (NRR)

Definition

The percentage of recurring revenue retained from existing customers in a defined period of time, including expansion revenue, downgrades, and cancellations

How to calculate

[MRR at the start of the period + expansions + upsells - cancels - downgrades] / [MRR at the start of the period] x 100

Who is responsible for tracking this?

Product	37.50%
Customer Success/Experience	30.00%
Marketing/Growth	10.00%
Engineering	10.00%
Product Marketing	5.00%
Product Design	2.50%

Benchmark: 102.00%

Insights & takeaways

- **Bigger isn't always better:** Companies with more employees and higher ARR tend to have a lower NRR (by a spread of about 20 points). It could be that as companies grow larger, it becomes more challenging to increase the value of each existing account.

Onboarding

Getting users to the all-important aha moment

Onboarding can make or break your business depending on whether it's done well, done poorly, or not done at all. Effective onboarding engages new users quickly, and shortens time to value. This helps improve adoption, activation, and retention rates. Ineffective onboarding jeopardizes every aspect of the customer relationship—putting roadblocks in front of users, lowering adoption and activation, driveing higher churn rates, and can even damage brand reputation.

What is onboarding?

Onboarding is the process of guiding new users to discover value within a product.

A product's onboarding experience might include:

- In-app messaging
- Onboarding emails
- Educational content (guides, webinars, case studies, etc.)
- Communities (such as a Slack channel for new users)
- Push notifications (for mobile apps)

What is the aha moment?

The aha moment is the pivotal moment when new users first realize the value of a product. It is a moment of sudden insight or discovery.

See also: activation event, eureka effect

Onboarding insights

As experts in the space, we're obsessed with understanding how companies onboard users. Our survey looked at onboarding from a few different perspectives including who owns it, the tactics used, and how self-serve compares to direct-human onboarding.

OWNERSHIP:

Customer Success/Experience

Customer Success/Experience (CS/CX) was twice as likely (at 71.5%) as Product (at 35.5%) to have ownership of onboarding. This makes sense since CS/CX is often the group responsible for post-sale customer success and are heavily involved in a very direct way since they take the lead on specific onboarding tactics like 1:1 calls (used by 55.5% of respondents) and on-demand webinars (used by 42.1% of respondents).

TACTICS:

Room for growth

Survey numbers indicate that there's a very strong opportunity for companies to implement additional self-serve onboarding. For instance, although all respondents use in-app messaging, only 77% of them use in-app walkthroughs. And an even smaller percentage (44.9%) are currently using in-app checklists.

THE STATE OF OF SELF-SERVE:

Opportunities abound

- Approximately 44% of respondents said that fewer than 25% of new users rely completely on self-serve onboarding.
- A similar percentage (46%) said that more than 50% of new users get some level of human interaction.
- Almost 17% said that all new users get some human interaction.

Implementing additional self-serve onboarding tactics would help to better balance the ratio of self-serve-to-human onboarding. This helps companies deliver a better user experience that can shorten time-to-value, while also saving the organization valuable resource hours.

Based on respondents who have taken advantage of self-serve onboarding tactics and in-app walkthroughs, organizations save an average of:

646.90 hours per month
in success and support time

598.95 hours per year
in engineering time

That's a savings of around $70,000 a year with average salaries of $140,000 for engineers and $95,000 for customer success.

How to Track These Metrics

Set up tracking

Before you can improve performance, you have to measure it. Tracking metrics enables you to set a baseline, establish relevant goals, and devise appropriate tests to help you reach those goals.

There are a variety of resources you can use, including business intelligence tools, [product analytics](), and app-specific tools (like [event tracking in Appcues]()). Whichever tools you use, the goal is to learn as much as you can about who your users are, what problems they're trying to solve, and what they need to solve them. At the product level, tracking metrics gives you valuable insight into what user actions or usage behaviors are most strongly correlated with creating highly engaged users. Surfacing this data empowers you to drive all users towards these key moments of value, ultimately converting and retaining a larger percentage of your user base.

Three steps to identifying opportunities

Map out your user journey

A user journey map is a visual representation of how a customer moves through your marketing and sales funnels. It includes all the key touchpoints to capture a complete sense of the overall customer experience. User journey maps reveal important insights that can help improve user experience, create more effective onboarding, and more.

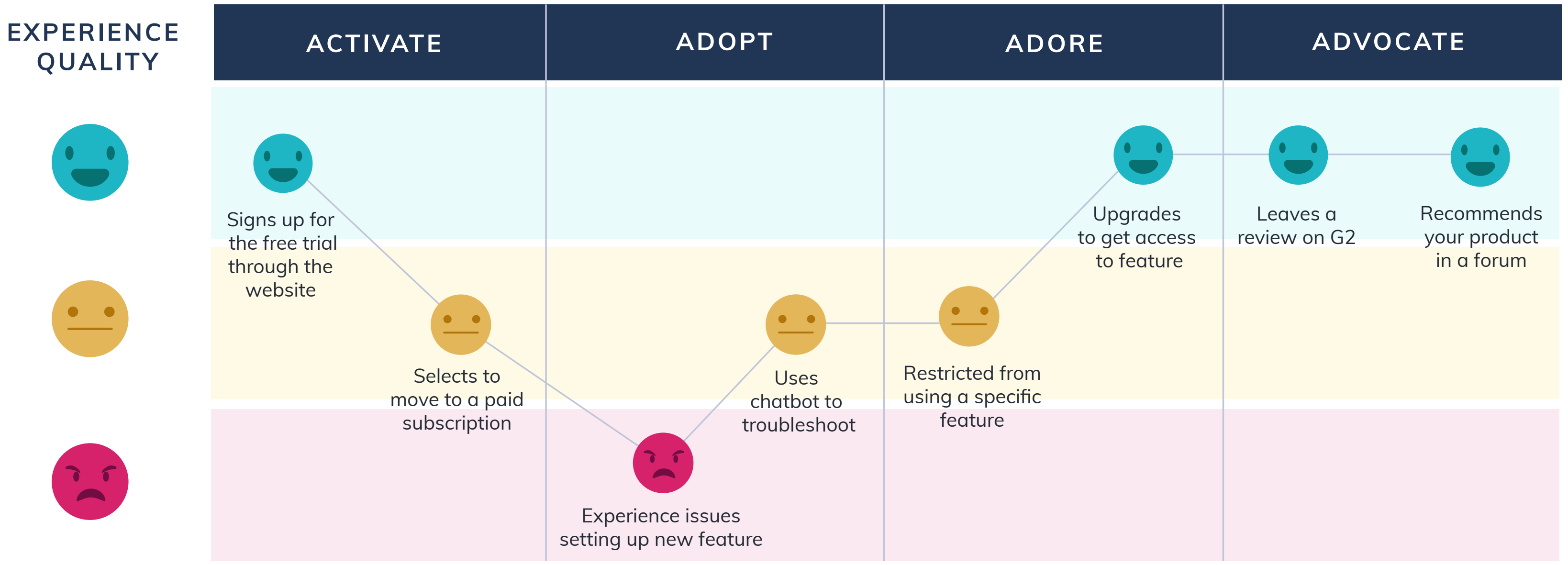
While every user map is unique depending on the product and the existing brand experience, they all are typically built on a four-phrase framework that mirrors the customer lifecycle: awareness, consideration, conversion, and adoption/ongoing usage.

This four-phase framework is further segmented by three tiers of experience qualifiers: good, neutral, and bad. On top of that, you plot out individual user interactions.

For this specific exercise, you'll want to substitute the typical four phases with the four stages of the [product-led growth flywheel](): activate, adopt, adore, and advocate.

In the end, your map will looks something like this:

Product Experience Journey Map



How to Track These Metrics

Align metrics with steps in the journey

Once you have the journey mapped out, you can overlay the metrics you want to track onto the corresponding parts of the user journey. For example, free-to-paid conversion and activation would happen during the activate stage while adoption (perhaps multiple points of adoption) would come later.

Assess what's working well (and what isn't)

With the user journey and metrics laid out in a way that helps you see the connections between various touchpoints, user behavior, and the corresponding effect on key metrics, you can quickly assess what's working well and where there might be experience gaps or user frustrations. This helps you optimize the experience in a very targeted way that focuses on pulling specific levers to influence key metrics.

Test and learn

Since there's no one-size-fits-all strategy when it comes to improving metrics, a test-and-learn approach is the most efficient way to make progress. To ensure you get clear results, focus on one metric at a time. Once you've identified an opportunity, just follow these three steps:

1. Create a hypothesis about a possible solution
2. Test your hypothesis with quick, in-app experiences
3. Evaluate the results and iterate

Benefits of a tool like Appcues

In order for your test-and-learn approach to become reality, you need a tool that empowers you to move quickly and experiment.

Keep in mind that speed to market is critical with this experimental mindset. Be sure you're selecting a tool that makes it easy to get started and empowers you to rapidly iterate in your product. Relying on engineering teams to make continuous changes often results in deprioritizing small (but meaningful!) product changes because every update takes engineers away from time spent working on core product functionality.

Customers use Appcues to positively impact their product experience, with an average improvement across all of the key seven metrics:

- 7.77% Increase in **free-to-paid conversion**
- 13.62% Increase in **activation rate**
- 13.18% Decrease in **average time to value**
- 14.28% Increase in **adoption rate**
- 10.24% Increase in **Net Promoter Score**
- 5.63% Increase in **customer retention**
- 5.79% Increase in **net revenue retention**

But don't let averages be your ceiling!

Vidyard	GetResponse	Tempo	ProfitWell	AdRoll
55% User activation	60% User activation	112% Feature adoption	20% User retention	3x Increase in upsells

Key Takeaways & Action Items

A lot of companies are missing out by not tracking key metrics

Survey data showed fairly low percentages of companies track either free-to-paid conversion or time-to-value. Given the importance of these metrics in the early stages of the user journey, they represent a valuable opportunity to gain actionable insight into how to positively influence the customer journey.

Action item:
If you are not already tracking both these metrics, take steps to set up tracking.

Simplicity can be beautiful

Smaller organizations that have fewer employees and a lower ACV tend to have a shorter time-to-value. While there are almost certainly multiple variables at play, it's likely that this advantage is due in part to these companies having simpler, less complex products. When there are fewer bells and whistles, users are less likely to be overwhelmed and more likely to stay engaged.

Action item:
Look for opportunities to simplify your product and/or create additional onboarding support to address any "sticky" points that might slow new users up.

Everybody loves something for nothing.

Even though free options (trials and freemium tiers) tend to be very appealing to users, a surprising percentage (45%) of enterprise companies still don't offer any kind of free option. If you have to choose, survey data showed that free-to-paid conversion is higher for free trials than for freemium. This is likely because free trials are specifically designed to drive conversion once a user reaches that aha moment, while freemium is more of a general user acquisition strategy.

Action item:
Assess your "free strategy" to see if there is an opportunity to either add or adapt the offer.

There's a world of self-serve onboarding just waiting for you (and your users!).

Fewer than 10% of users have access to fully self-serve onboarding. All other users onboard with a combination of self-serve and direct human interactzion. Self-serve onboarding—in the form of things like in-app walkthroughs and checklists—can help streamline the user experience while also reducing resource demands on the organization.

Action item:
Audit your onboarding strategy and tactics. Look for opportunities to incorporate additional self-serve elements and run in-app tests to determine the best approach.

Appcues